

CITY AUDITOR'S OFFICE



AUDIT ALERT THE ANIMAL FOUNDATION FINANCIAL REPORTING

Report No. CAO AA-0506-04

April 3, 2006

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CITY AUDITOR**

March 31, 2006

**AUDIT ALERT
THE ANIMAL FOUNDATION
FINANCIAL REPORTING**

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BACKGROUND

The Animal Foundation (AF) is a non-profit organization founded in 1979 (originally known as Animal Rescue and subsequently Animal Foundation International) to save abandoned animals. Over the years, AF has expanded its services to include a spay and neuter clinic, a vaccination clinic, an adoption center, and a foster care program. Under a 1995 agreement (the Agreement), AF operates the City's animal shelter and provides various animal services to the public. In return for its services, the City compensates AF \$44,100 per month or \$529,200 per year and allows AF to retain the fees collected for their services including all license, impound and boarding fees. In 1996, the City provided AF a rent-free facility. In January 2001, AF opened a new shelter built with funds from donations. The new shelter was built on two acres of city land. Subsequently, AF has taken on responsibilities for the shelter services for Clark County and North Las Vegas. Currently AF and the City of Las Vegas are in preliminary negotiations to revise the Agreement.

OBJECTIVES

Our objectives included the following:

- ▶ Determining if all required financial reports have been filed by AF,
- ▶ Determining if financial reports have been timely filed, and
- ▶ Reviewing the adequacy of controls related to the financial reporting process.

SCOPE AND METHODOLOGY

Our work was performed in accordance with applicable generally accepted governmental auditing standards as defined in Operating Instruction A.50 of the City Auditor's Office Operating Instructions Manual. The scope of the study of internal control was limited to assessing the general controls surrounding the specific issues addressed. General procedures included:

- ▶ Interviewing city personnel, and
- ▶ Reviewing records and other applicable documentation.

CONCLUSIONS/FINDING/RECOMMENDATIONS

As a result of work performed, we determined that AF was not in compliance with the terms of the Agreement related to filing of financial reports. We also determined that although the controls at the City related to the financial reports filed by AF and follow-up

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steps were not specifically documented, controls were adequate to alert Detention and Enforcement Management of the deficiency.

AF FINANCIAL REPORTS

Criteria: The Animal Care and Shelter Services Agreement dated October 3, 1995 states that AF is to:

“...provide the City with a monthly activity report listing and analyzing the activities for the preceding month, including but not necessary limited to:...

(d) A monthly financial statement of operations which is to be in a format approved by the CITY;...” (Section II Contractor Responsibilities 2)

AF provides the City with the following:

- ▶ Profit & Loss by Class (Shelter& License) monthly,
- ▶ Profit Loss by Class (Shelter & License) year to date,
- ▶ Profit & Loss Monthly Comparative for Shelter & License Combined,
- ▶ Profit & Loss Monthly Comparative for Shelter, and
- ▶ Profit & Loss Monthly Comparative for License.

Condition: As a result of work performed, we determined the following:

- ▶ AF is not in compliance with the terms of the Agreement as they relate to the filing of financial reports.
 - Four of twelve financial reports for the year 2005 have not as of yet been filed by AF.
 - The reports for January, February, and March were filed on July 14, 2005.
 - The reports for April, May, June, July, and August 2005 were filed on February 13, 2006.
- ▶ Although the controls at the City related to the financial reports filed by AF and follow-up steps were not specifically documented, controls were adequate to alert Detention and Enforcement Management of the deficiency.

Cause:

- ▶ AF has not filed all required financial reports.
- ▶ AF has not timely filed financial reports.

Effect:

- ▶ Without timely financial reports to review, the City may not be able to adequately evaluate AF's operations.

Recommendations:

1. Detention and Enforcement management should recontact AF and obtain all required reports.
2. Detention and Enforcement Management should require all future AF reports be timely filed (i.e., within 45 days of the last day of the month).

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3. Detention and Enforcement Management and the City Manager's Office should review AF's failure to meet this contract requirement with the City Attorney's Office to determine appropriate action.